

# Regulating the Bank

# Authority to Regulate

- Information pertaining to powers, duties and responsibilities are referenced in applicable state banking statutes and the bank's charter/ bylaws

# Objectives and Policies

- Create and maintain a strategic framework to ensure the bank's success
- Provide clear guidance to employees through written policies
- Review periodically to determine applicability
- Comply with regulatory minimum standards
- Tailored to the bank's structure, resources and needs
- Can be developed internally or externally by a third party

# Policies Checklist

- Sufficiently flexible to permit innovation
- Developed and approved prior to beginning a new activity
- Written form is highly recommended
- Periodically reviewed and approved by the board of directors

# Policies... Best Practices

- Set standards and courses of action
- Promote consistency
- Provide continuity of procedures
- Clarify risk tolerance levels
- Provide accountability

# Recommended Policies

- Investments
- Loans
- Asset/liability and funds management
- Internal controls
- Audit programs
- Conflicts of interest
- Code of ethics and personnel
- Compliance and CRA
- Specialty areas

# Board Participation

- Regularly attend board meetings
  - Refer to state law for requirements
- Actively participate at meetings
- Remain informed in the bank's operations

# Board Packets

- Should be received prior to the meeting to allow for review
- Consists of financial information and other information such as
  - Personnel issues
  - Deviations from board approved policies
  - Committee actions



# Board Minutes

- Reflects participation
- Objections should be clearly documented for one's protection

# Committees

- Perform specific tasks and supervise certain areas of operations
  - Committees do not relieve the board of its fundamental responsibilities for actions taken by the groups
- Review of committees' minutes should be a standard part of the board meeting agenda

# Common Committees

- Loan Committee
- Compliance Committee
- Audit Committee
- Investment Committee
- Asset/Liability Management Committee
- Compensation Committee
- Trust Committee

## Remember...

- Accept responsibility for all affairs
- Provide the framework through written objectives and policies
- Maintain active participation in board meetings